Chindia in Africa

by José Luengo-Cabrera

The progressive eastward shift of the world economy's centre of gravity has largely been driven by the global (re)emergence of the Asian giants, China and India. One of the direct consequences of their unparalleled thirst for energy resources has been Africa's growing (albeit still modest) heft in the global supply chain. This has sparked a fledging trans-regional interdependence that has begun to consolidate beyond the exchange of raw materials for manufactured goods – especially as Beijing and New Delhi are tapping the continent's expanding consumer markets and political capital to fuel their economic and diplomatic engines on a global scale.

Although China has begun to show signs of an economic slowdown, India remains buoyant and recently overtook its Asian peer as the world's fastest-growing emerging economy. With the slump in African exports to China, India is seemingly stepping in to fill the void – even if it continues to be dwarfed by Beijing's extensive footprint on the continent.

But while African nations eye India as an alternative partner with a more diversified demand base, comparable consumer patterns and sizeable financial assistance in health and education, New Delhi is largely emulating Beijing's approach (despite its official rhetoric) of absorbing Africa's natural resources to feed its economic expansion. The Asian giants are also gaining ground as African security providers and diplomatic allies, not only to mitigate commercial risk but notably to garner the backing of African nations in a shared endeavour to overhaul the balance of power in global governance institutions.

The way in which the continent is capitalising on China's and India's tailwinds has wide-ranging implications. As more partners like Brazil, Malaysia and Indonesia jump on the South-South cooperation bandwagon, Africa risks entrenching itself in the volatile agricultural and extractive sectors. For this reason, upholding its relations with heavyweight OECD development partners like the EU remains fundamental for economic diversification, as well as democratic consolidation.

Economic diplomacy

At the crux of Africa's partnerships with China and India is the reciprocal endeavour to bolster commercial flows through government-sponsored investments, grants and lines of credit. In late 2015, China and India held their flagship bi-lateral summits with African nations, gathering record amounts of heads of state and attracting much media fanfare over the largesse of the Asian partners' respective financial pledges.

Rallying political as well as business leaders in New Delhi last November, the third India-Africa Forum Summit (IAFS) was Prime Minister Modi's opportunity to showcase India's reinvigorated support for Africa at a time when Chinese trade and investment with the continent contracted by 13% and 40%, respectively, in 2015 alone. Since 2002, India has been backing public-private initiatives to foster trade and investment deals, notably through the India-Africa Business Council, which manages commercial relations between New Delhi and the various regional economic communities (RECs) in Africa. Bilateral trade has flourished as a result, with African and Indian annual export growth averaging 10% and 14%, respectively, in the past five years. But despite these figures, New Delhi is still not trading nearly as much as Beijing: Chinese bilateral trade volumes with Africa totalled an estimated $222 billion in 2015, compared to India's $72 billion. This notwithstanding, Modi has emphasised India's appeal beyond trade and announced a grant assistance of $600 million – which encompasses a $100 million India-Africa development fund.

As Africa's largest trading partner (except when EU countries are aggregated) and principal source of manufactured imports, China's slowing growth has had a knock-on effect on African economies – mainly due to the plummeting price of commodities and oil, which account for 85% of African exports to China. With this in mind, the sixth Forum on China-Africa Cooperation (FOCAC) held last December in Johannesburg was marked by President Xi Jinping's announcement of a $60 billion financing package, triple the amount pledged at the last FOCAC of 2012. Although yet to be disbursed, this package will largely consist of loans rather than aid, with the Export-Import Bank of China using a large portion of these funds to sponsor over 2,000 Chinese companies investing across Africa.

With governments acting as economic intermediaries, Chinese and Indian businesses have been able to expand their presence in the African continent, albeit to varying degrees and mostly in resource-rich countries. Given this reality, their main African trade partners are Nigeria, Angola, Algeria, Egypt and South Africa; which are also countries with sizeable middle-income consumer markets and expanding demand for Asian manufactures. Thanks in part to the enactment of India's Duty-Free Tariff-Preference Scheme for Least-Developed Countries (LDCs), 34 African economies have free access to the Indian market. This has been the major driver behind the rapid growth of exports to India, whose buoying demand is currently compensating for the faltering Chinese one – especially as Beijing's tariffs remain more restrictive.

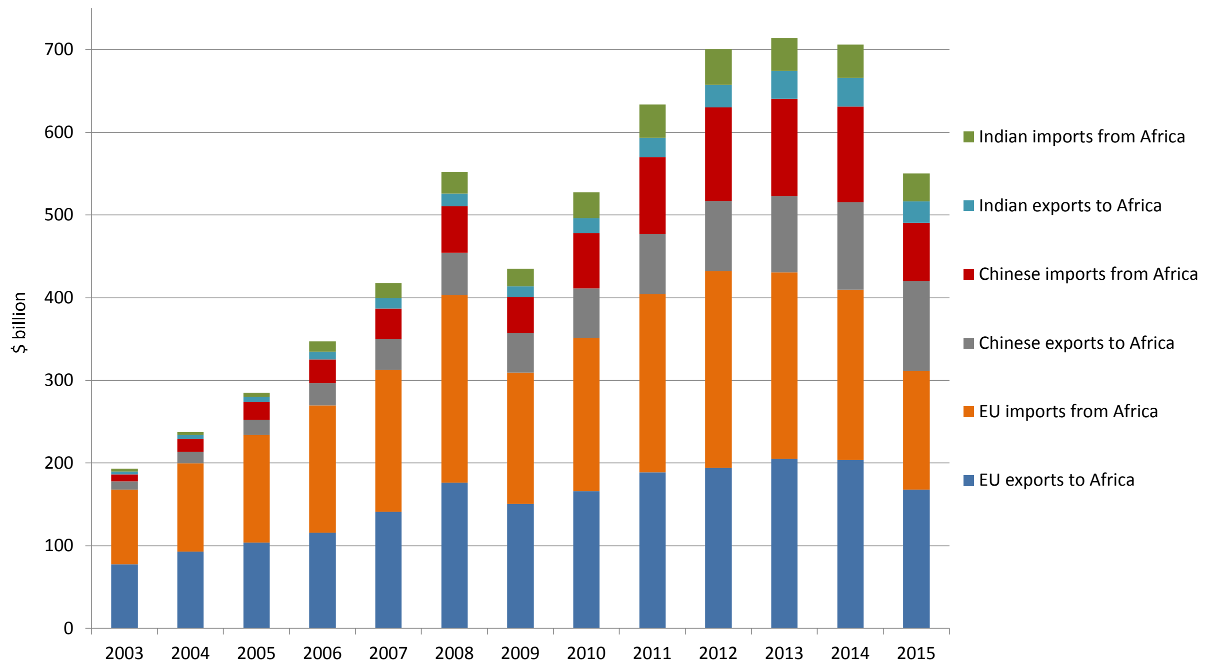
Stuck on extractives

The dominant trade structure, however, poses an evident problem for African countries seeking to diversify their economic base. The 'Africa rising' narrative has been largely discredited by the retrospective evidence that much of the recent African growth boost was driven by the commodities 'super-cycle' – which has now fizzled as a result of a Chinese-led emerging markets slowdown. Reflected by the tumbling value of major African currencies like the naira or the cedi, this highlights the perils of Africa's exposure to the so-called 'Dutch disease'. (This phenomenon occurs when a country's overt dependence on natural resources causes a decline in other economic sectors through adverse exchange rate effects).

Although raw materials constitute the lion's share of China's and India's African imports, the Asian giants are making modest headway in aiding African countries to bolster their human capital, as well as their infrastructure. India, for example, has been capitalising on its niche industries to enhance African skills and health-service delivery. As announced by the Modi government during the last IAFS, 50,000 new scholarships will be offered to African students to partake in ICT training and education programmes in India. This is part of the Pan-Africa e-Network Project, which is also facilitating online formation programmes and virtual transfer of knowledge, particularly telemedicine services. As the third-largest supplier of pharmaceuticals on the African continent, the expanding (beyond East Africa) presence of Indian pharma companies is offering African citizens an alternative to the costlier patented medicines produced by China.

For its part, Beijing has become the single largest financial contributor to construction projects (14% of the total) on the African continent. Over the past two decades, it has built and expanded infrastructure to facilitate transport and commercial links – thereby reducing the prohibitive cost of intra-African trade. China has been the principal financier in the building of major seaports in Algeria and Tanzania, dams in Ghana and Ethiopia, airports in Nigeria and Sierra Leone, as well as a railway linking Mali to Senegal or the LAPSSET pipeline linking South Sudanese oil terminals to the Kenyan port of Lamu. Yet it is also a problem that construction projects are awarded principally to

Trade with Africa



Data source: UN Comtrade. Eurostat.

Chinese companies, as this raises concerns about the paucity of African labour employed in infrastructure projects at a time when cross-continental unemployment remains a primary source of fragility. With 37% of the world's extreme working poor residing in sub-Saharan Africa and 70% of continental employment considered vulnerable (compared to the 46.3% global average), Africa's lack of employment opportunities and resilience continues to spark protests: from miners in South Africa to textile workers and doctors in Egypt.

Notwithstanding these diversifying efforts, much of the work done in promoting employment, education and sanitation is overwhelmingly carried out by the OECD Development Assistance Committee (DAC) partners – predominantly the US, EU member states, Japan and Canada. As both the largest aid donor and investment partner to Africa, the EU continues to lead the way in financing the bulk of African-led private sector initiatives to spur labour-intensive sectors, particularly through the EU's 'blending mechanisms': providing loans and equity to promote projects in the value-added manufacturing and services sectors of countries largely neglected by China and India.

With South Africa and Nigeria alone accounting for over 40% of the continent's exports to India (mainly oil, minerals, precious stones and metals) or over 50% of Chinese foreign direct investment (FDI) concentrated in the oil or mineral-rich countries of Sudan, Angola and Zambia, it sheds light on the important role played by a multilateral actor like the EU in filling the gaps that remain in assisting the most fragile African states.

The EU is however facing significant budgetary constraints and an increasing need to respond to more urgent crises in its neighbourhood. Although still leading the efforts in electoral observation, security sector reform and civil society support, the EU has welcomed the rising willingness demonstrated by China and India to provide greater funding for the African Peace and Security Architecture (APSA) and other multilateral initiatives like the Inter-Governmental Authority on Development (IGAD) in East Africa. This has also been widely welcomed by the AU at a time when the EU is ostensibly spreading itself thinly.

Security providers

Given their now sizeable commercial interests, the mounting security risks have redefined China's and India's role as security providers in Africa. While India's contributions to UN peacekeeping operations (PKOs) in countries like the Democratic Republic of Congo and South Sudan (or its financial support to the AU mission in Somalia) are arguably motivated by New Delhi's ambitions to further its legitimacy as an international player, the driving force for its military training assistance and maritime cooperation programmes in East Africa is more in line with its geo-economic interests.

Given the strategic importance of the Indian Ocean, India has provided maritime military assistance to coastal trade partners like Mauritius, the Seychelles, South Africa, Kenya and Tanzania. These are also the countries with the largest numbers of Indian diaspora and principal recipients of Indian investments. New Delhi was also a founding member of the Contact Group on Piracy off the Coast of Somalia, with the Indian navy contributing to the anti-piracy operations in the Gulf of Aden since 2008. More recently, the Indian navy pledged its commitment to help West African states in securing maritime trade routes in the new piracy hotspot of the Gulf of Guinea – principally by offering patrolling assets and remote surveillance systems. This comes at a time when Nigeria has overtaken Saudi Arabia as India's primary oil provider and Indian companies have made major investments in oil fields in Gabon and cashew nut supply chains in Guinea-Bissau.

For its part, China's security commitment towards Africa had for long been predicated on the need to secure commercial and military assets in countries with large investment projects. The start of the construction of its first overseas military base in Djibouti in February 2016 is a landmark for Beijing as it seeks to reorganise its army, as well as its ability to project power beyond the South China Sea. Its strategic location in the southern entrance of the Red Sea will be used (officially) for resupplying Chinese navy ships participating in anti-piracy missions but it will doubtless also be used to assist commercial vessels transiting through the Indian Ocean. Nonetheless, with China's drive to become an established global power, its deepening political ties with Africa and the associated reputational risks of being linked to unsavoury regimes, Beijing has enacted a significant shift in its Africa peace and security policy.

Having played a crucial role in fostering dialogue forums between the warring South Sudanese parties under IGAD auspices, China has equally been the largest troop-contributing country for UN PKOs of all UN Security Council (UNSC) members. With more than 1,500 UN peacekeepers deployed to the continent, China is demonstrating its commitment to multilateral peace and security – even in places where it does not have substantive economic interests like Mali, where China has deployed 400 blue helmets.

Moreover, with the launch of the AU-China Strategic Dialogue for Peace and Security in Africa, Beijing has pledged sizeable financial and technical support for APSA initiatives. At the latest FOCAC meeting, for example, Xi Jinping announced that $60 million would go into funding the African Union's (yet to be operational) 25,000-strong multinational African Standby Force, in addition to providing 8,000 Chinese troops for a future UN standby force. This has been well received by the EU as it struggles to increase its financial contributions to the African Peace Facility.

Geopolitics and beyond

Constituting close to half of the global population and growing shares of world trade, the budding partnership between Africa and the two Asian countries is becoming an important element of South-South cooperation, with the potential to prompt reform and influence policy at the international level.

Of particular interest to India is Africa's support for New Delhi's longstanding calls for reform of the UNSC. Through its various programmes of technical and development assistance, India is recurrently ramping up political support from African states in calls to adapt permanent UNSC membership to the new economic and demographic realities of today. Similar efforts are being steered by the Chinese government to garner African votes and adopt common positions *vis-à-vis* global trade and development agendas at the World Trade Organisation (WTO) or the World Bank. Tellingly, African countries that align with China's voting at the UN General Assembly tend to receive more development assistance from Beijing.

Africa's geopolitical importance for China and India will no doubt guarantee that partnering with the region will remain crucial for New Delhi's and Beijing's economic and foreign policy strategy at a time when other emerging powers are competing to capitalise on Africa's 'untapped potential'.

But African countries will have to strike a balance in maintaining their ties with more traditional partners that do not view the continent overwhelmingly through the prism of its natural resources. This is particularly important given Africa's lagging economic diversification, widespread inequalities and leaders with autocratic tendencies, all of which continue to expose the continent's fragility.

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